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MONTANA LEGISLATIVE HISTORY

Chapter 695 1991

Bill H 976 S _____ Original bill & history ✓ C

H. Committee on Taxation		S. Committee on Taxation	
Hearing Date(s) Mar 19	✓ C	Hearing Date(s) Apr 10	✓ C
_____	____ C	_____	____ C
_____	____ C	_____	____ C
_____	____ C	_____	____ C
Date Out Mar 19	✓ C	Apr 11	✓ C

Did this bill originate in an interim committee? ____ Yes ____ No

Committee _____ Report _____

HB 975 INTRODUCED BY WALLIN

APPROPRIATION TO UPDATE AND REPRINT BULLETIN 545 — MONTANA LAW WATER RIGHT

3/04	INTRODUCED		
3/04	REFERRED TO APPROPRIATIONS		
3/04	FIRST READING		
3/20	HEARING		
3/23	TABLED IN COMMITTEE		

HB 976 INTRODUCED BY SWYSGOOD, ET AL.

ESTABLISH VALUE OF VERMICULITE FOR NET PROCEEDS AND RITT PURPOSES

3/05	INTRODUCED		
3/05	REFERRED TO TAXATION		
3/06	FIRST READING		
3/06	FISCAL NOTE REQUESTED		
3/15	FISCAL NOTE RECEIVED		
3/18	FISCAL NOTE PRINTED		
3/19	HEARING		
3/19	COMMITTEE REPORT—BILL PASSED		
4/03	2ND READING PASSED	85	9
4/03	ON MOTION RULES SUSPENDED TO ALLOW 3RD READING THIS DAY		
4/03	3RD READING PASSED	94	5
	TRANSMITTED TO SENATE		
4/04	FIRST READING		
4/04	REFERRED TO TAXATION		
4/10	HEARING		
4/11	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
4/15	2ND READING CONCURRED	48	0
4/16	3RD READING CONCURRED	49	0
	RETURNED TO HOUSE WITH AMENDMENTS		
4/18	2ND READING AMENDMENTS CONCURRED	94	4
4/19	3RD READING AMENDMENTS CONCURRED	94	4
4/24	SIGNED BY SPEAKER		
4/24	SIGNED BY PRESIDENT		
4/24	TRANSMITTED TO GOVERNOR		
4/27	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 695	EFFECTIVE DATE: 4/27/91	

HB 977 INTRODUCED BY BRADLEY

REVISE LAWS RELATING TO RESIDENTIAL TREATMENT FACILITIES

3/06	INTRODUCED		
3/06	REFERRED TO HUMAN SERVICES & AGING		
3/07	FIRST READING		
3/07	FISCAL NOTE REQUESTED		
3/11	REREFERRED TO APPROPRIATIONS		
3/12	FISCAL NOTE RECEIVED		
3/12	FISCAL NOTE PRINTED		
3/19	HEARING		
3/25	COMMITTEE REPORT—BILL PASSED		
3/28	2ND READING PASSED	81	14
3/28	ON MOTION RULES SUSPENDED TO PLACE ON 3RD READING THIS DAY		
3/28	3RD READING PASSED	81	19
	TRANSMITTED TO SENATE		
3/28	FIRST READING		
3/28	REFERRED TO PUBLIC HEALTH, WELFARE & SAFETY		
4/08	HEARING		
4/12	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		

HOUSE BILL NO. 976

INTRODUCED BY SWYSGOOD, HARRINGTON

IN THE HOUSE

MARCH 5, 1991	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
MARCH 6, 1991	FIRST READING.
MARCH 19, 1991	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
MARCH 20, 1991	PRINTING REPORT.
APRIL 3, 1991	SECOND READING, DO PASS.
	ON MOTION, RULES SUSPENDED. BILL PLACED ON THIRD READING THIS DAY.
	THIRD READING, PASSED. AYES, 94; NOES, 5.
APRIL 4, 1991	ENGROSSING REPORT.
	TRANSMITTED TO SENATE.

IN THE SENATE

APRIL 4, 1991	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
APRIL 11, 1991	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
APRIL 15, 1991	SECOND READING, CONCURRED IN.
APRIL 16, 1991	THIRD READING, CONCURRED IN. AYES, 49; NOES, 0.
	RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

APRIL 18, 1991	RECEIVED FROM SENATE.
	SECOND READING, AMENDMENTS

CONCURRED IN.

APRIL 19, 1991

THIRD READING, AMENDMENTS CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

HOUSE BILL NO. 976

INTRODUCED BY Swysgood Harrington

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE VALUE OF VERMICULITE FOR NET PROCEEDS PROPERTY TAX PURPOSES AND FOR RESOURCE INDEMNITY TRUST TAX PURPOSES; ESTABLISHING A SPECIFIC RESOURCE INDEMNITY TRUST TAX RATE FOR VERMICULITE; REVISING THE INFLATION ADJUSTMENT FOR THE NET PROCEEDS TAX ON TALC TO CONFORM WITH THAT FOR VERMICULITE; AMENDING SECTIONS 15-6-131, 15-8-111, 15-23-103, 15-23-106, 15-23-115, 15-23-502, 15-23-503, 15-23-515, 15-23-521, 15-38-103, AND 15-38-104, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND RETROACTIVE APPLICABILITY DATES."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Net proceeds for vermiculite -- statement -- value.** (1) A statement of gross yield and value, required in 15-23-502, that is filed by a producer of vermiculite must contain the following:

(a) the name and address of the owner, lessee, or operator of the mine, together with the name and address of any person owning or claiming a royalty interest in the mineral product of the mine or the proceeds derived from the sale of the mineral product, and the amount or amounts paid or yielded as royalty to each person during the period covered by the statement;

(b) the description and location of the mine;

(c) the number of tons of vermiculite extracted, produced, and treated or sold from the mine during the period covered by the statement;

(d) the amount and character of the vermiculite and the yield of the vermiculite from the mine, measured in tons, yielded to the person engaged in mining and to each royalty holder, if any, during the period covered by the statement; and

(e) the gross yield or value in dollars and cents.

(2) (a) For the purposes of this section, the gross yield or value of vermiculite is determined by multiplying the number of tons of vermiculite reported under subsection (1)(c) by:

(i) for the taxable year beginning January 1, 1991, $27; and

(ii) for the taxable years beginning January 1, 1992, and thereafter, the product obtained by multiplying $27 by the quotient of the PCE for the first quarter of the year previous to the taxable year for which the net proceed value is being calculated, divided by the PCE for the first quarter of the 1991 taxable year.

(b) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in

LC 1978/01

INTRODUCED BILL
HB 976

the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

NEW SECTION. **Section 2. Gross value of product for vermiculite.** As used in this part, when referring to vermiculite, "gross value of product" is the gross yield or value of vermiculite as determined in [section 1(2)].

Section 3. Section 15-6-131, MCA, is amended to read:

"**15-6-131. Class one property -- description -- taxable percentage.** (1) Class one property includes the annual net proceeds of all mines and mining claims except coal and metal mines.

(2) Class one property is taxed at 100% of its annual net proceeds after deducting the expenses specified and allowed by 15-23-503 or, for talc, as provided in 15-23-515 or, for vermiculite, as provided in [section 1]."

Section 4. Section 15-8-111, MCA, is amended to read:

"**15-8-111. Assessment -- market value standard -- exceptions.** (1) All taxable property must be assessed at 100% of its market value except as otherwise provided.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(b) If the department uses construction cost as one approximation of market value, the department shall fully

consider reduction in value caused by depreciation, whether through physical depreciation, functional obsolescence, or economic obsolescence.

(c) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds, including but not limited to boats and all watercraft, is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department of revenue shall prepare valuation schedules showing the average wholesale value when no national appraisal guide exists.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property, except:

(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri;

(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the official guide; and

(c) as otherwise authorized in Title 15 and Title 61.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property is the percentage of market or assessed value established for each class of property.

(6) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515 or [section 1].

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(7) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town. (Subsection (6)(d) terminates January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

Section 5. Section 15-23-103, MCA, is amended to read:

"**15-23-103. Due date of reports and returns -- extensions.** (1) Except as provided in subsection (2) and 15-23-602, each report or return described in 15-23-301, 15-23-402, 15-23-502, or 15-23-701 shall be delivered to the department on or before March 31 each year.

(2) Each report or return for a natural gas or oil pipeline described in 15-23-301 must be delivered to the department on or before April 15 each year.

(3) Each report described in 15-23-201, or 15-23-515, or [section 1] must be delivered to the department before April 15 each year.

(4) The department may for good cause extend the time for filing a return or report for not more than 30 days."

Section 6. Section 15-23-106, MCA, is amended to read:

"**15-23-106. Transmission to the counties.** (1) On or before July 1, the department shall transmit to its agent in each county a statement listing:

(a) the assessed value of railroad property, as

determined under 15-23-202, apportioned to the county, including the length or other description of such property;

(b) the assessed value of utility property, as determined under 15-23-303, apportioned to the county, including the length or other description of such property;

(c) the assessed value of property of airline companies, as determined under 15-23-403, apportioned to the county; 90% of the value of the property of airline companies apportioned to any county by reason of a state airport being located in the county shall be stated separately from the remaining assessed value of the property of airline companies apportioned to the county;

(d) the assessed value of the net proceeds and royalties from mines and oil and gas wells in the county, as determined under 15-23-503, 15-23-505, 15-23-515, [section 1], 15-23-603, and 15-23-605; and

(e) the assessed value of the gross proceeds from coal mines, as described in 15-23-701.

(2) The agent of the department shall enter the assessed values so transmitted in the assessment book in a manner prescribed by the department."

Section 7. Section 15-23-115, MCA, is amended to read:

"**15-23-115. Interest.** If the department determines that a taxpayer has incorrectly reported a value under 15-23-502, 15-23-515, [section 1], 15-23-602, 15-23-701, or 15-23-802,

the department shall inform its agents at the county level of such determination, and if any additional tax is due, there must be added thereto until paid in full interest at the rate of 1% a month or fraction thereof from the date the original tax was due and payable. In no instance will a taxpayer subject to imposition of interest pursuant to this section be also subject to the penalty and interest provisions contained in 15-16-102."

Section 8. Section 15-23-502, MCA, is amended to read:

"**15-23-502. Net proceeds tax -- statement of yield.** Every person engaged in mining, extracting, or producing from any quartz vein or lode, placer claim, dump or tailings, or other place or source whatever precious stones or gems, vermiculite, bentonite, or other valuable mineral, except coal and metals, must on or before March 31 each year make out a statement of the gross yield and value of the above-named metals or minerals from each mine owned or worked by such person during the year preceding January 1 of the year in which such statement is made. Such statement shall be in the form prescribed by the department of revenue and must be verified by the oath of the person completing the statement or the manager, superintendent, agent, president, or vice-president, if a corporation, association, or partnership, and must be delivered to the department on or before March 31. Except as provided in 15-23-515 and

[section 1], the statement shall show the following:

(1) the name and address of the owner or lessee or operator of the mine, together with the names and addresses of any and all persons owning or claiming any royalty interest in the mineral product of such mine or the proceeds derived from the sale thereof, and the amount or amounts paid or yielded as royalty to each of such persons during the period covered by the statement;

(2) the description and location of the mine;

(3) the number of tons of ore or other mineral products or deposits extracted, produced, and treated or sold from the mine during the period covered by the statement;

(4) the amount and character of such ores, mineral products, or deposits and the yield of such ores, mineral products, or deposits from such mine in constituents of commercial value; that is, commercially valuable constituents of the ores, mineral products, or deposits, measured by standard units of measurement, yielded to such person so engaged in mining and to each royalty holder, if any, during the period covered by the statement;

(5) the gross yield or value in dollars and cents;

(6) cost of extracting from the mine;

(7) cost of transporting to place of reduction or sale;

(8) cost of reduction or sale;

(9) cost of marketing the product and conversion of

same into money;

(10) cost of construction, repairs, and betterments of mines and cost of repairs and replacements of reduction works;

(11) the assessed valuation of reduction works for the calendar year for which such return is made;

(12) cost of fire insurance, workers' compensation insurance, boiler and machinery insurance, and public liability insurance paid for the mine, reduction works, or beneficiation process;

(13) cost of welfare and retirement fund payments provided for in wage contracts;

(14) cost of testing extracted minerals for the purpose of satisfying federal or state health and safety laws or regulations, the cost of plant security in Montana, the cost of assaying and sampling the extracted minerals, and the costs incurred in Montana for engineering and geological services for existing mining operations but not including any such services beyond the stage of reduction and beneficiation of the minerals; and

(15) cost of mine reclamation."

Section 9. Section 15-23-503, MCA, is amended to read:

"15-23-503. Net proceeds -- how computed. (1) The department of revenue shall calculate from the returns the gross product yielded from a mine and its gross value for

the year covered by the statement and shall calculate and compute the net proceeds of the mine yielded to the person engaged in mining. Except as provided in 15-23-515 and [section 1], net proceeds shall be determined by subtracting from the value of the gross product of the mine the following:

(a) all royalty paid or apportioned in cash or in kind by the person engaged in mining;

(b) all money expended for necessary labor, machinery, and supplies needed and used in the mining operations and developments;

(c) all money expended for improvements, repairs, and betterments necessary in and about the working of the mine, except as provided in this section;

(d) all money expended for costs of repairs and replacements of the milling and reduction works used in connection with the mine;

(e) depreciation in the sum of 6% of the assessed valuation of the milling and reduction works for the calendar year for which the return is made;

(f) all money actually expended for transporting the ores and mineral products or deposits from the mines to the mill or reduction works or to the place of sale and for extracting the metals and minerals and for marketing the product and the conversion of the product into money;

(g) all money expended for insurance and welfare and retirement costs reported in the statement required in 15-23-502;

(h) all money expended for necessary labor, equipment, and supplies for testing minerals extracted to satisfy federal or state health and safety laws or regulations, for plant security in Montana, for assaying and sampling the extracted minerals, for the cost of reclamation at the site of the mine, and for engineering and geological services conducted in Montana for existing mining operations but not including services beyond the stage of reduction and beneficiation of the minerals.

(2) In computing the deductions allowable for repairs, improvements, and betterments to the mine, the department shall allow 10% of the cost each year for a period of 10 years.

(3) Money invested in mines or improvements may not be allowed as a deduction unless all machinery, equipment, and buildings represented by the money are returned to the county in which the mine is located for assessment purposes at the level of assessment of all other property in the county.

(4) Money invested in the mines and improvements during any year except the year for which such statement is made and except as provided in this section may not be included

in the expenditures, and the expenditures may not include the salary or any portion of the salary of any person or officer not actually engaged in the working of the mine or superintending the management of the mine."

Section 10. Section 15-23-515, MCA, is amended to read:

"**15-23-515. Net proceeds for talc -- statement -- value.** (1) A statement of gross yield and value, required in 15-23-502, that is filed by a producer of talc must contain the following:

(a) the name and address of the owner or lessee or operator of the mine, together with the name and address of any person owning or claiming a royalty interest in the mineral product of the mine or the proceeds derived from the sale of the mineral product, and the amount or amounts paid or yielded as royalty to each person during the period covered by the statement;

(b) the description and location of the mine;

(c) the number of tons of talc extracted, produced, and treated or sold from the mine during the period covered by the statement;

(d) the amount and character of the talc and the yield of the talc from the mine, measured in tons, yielded to the person engaged in mining and to each royalty holder, if any, during the period covered by the statement; and

(e) the gross yield or value in dollars and cents.

(2) (a) For the purposes of this section, the gross yield or value of talc is determined by multiplying the number of tons of talc reported under subsection (1)(c) by:

(i) for the taxable year beginning January 1, 1989, $4.25; and

(ii) for the taxable years beginning January 1, 1990, and thereafter, the product obtained by multiplying $4.25 by the quotient of the PCE for the first quarter of the year previous to the taxable year for which the net proceed value is being calculated, divided by the PCE for the first quarter of the 1989 taxable year.

(b) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce."

Section 11. Section 15-23-521, MCA, is amended to read:

"**15-23-521. Examination of records by department.** The department of revenue may at any time examine the records of any person specified in this part as the records may pertain to the yield of ore or mineral products or deposit in order to verify the statements made by the person. If from the examination or from other information, the department finds any statement or any material part of a statement willfully false or fraudulent, the department must assess in the same manner as provided for in 15-23-503, ~~or~~ 15-23-515, or

[section 1]."

Section 12. Section 15-38-103, MCA, is amended to read:

"**15-38-103. Definitions.** As used in this chapter, the following definitions apply:

(1) "Department" means department of revenue.

(2) "Gross value of product" means, except as provided in 15-38-126 and [section 2], the market value of any merchantable mineral extracted or produced during the taxable year.

(3) "Mineral" means any precious stones or gems, gold, silver, copper, coal, lead, petroleum, natural gas, oil, uranium, or other nonrenewable merchantable products extracted from the surface or subsurface of the state of Montana.

(4) "Total environment" means air, water, soil, flora, and fauna and the social, economic, and cultural conditions that influence communities and individual citizens."

Section 13. Section 15-38-104, MCA, is amended to read:

"**15-38-104. Tax on mineral production.** (1) Except as provided in ~~subsection~~ subsections (2) and (3), the annual tax to be paid by a person engaged in or carrying on the business of mining, extracting, or producing a mineral is $25, plus an additional amount computed on the gross value of product that was derived from the business work or operation within this state during the calendar year

immediately preceding at the rate of 1/2 of 1% of the amount of gross value of product at the time of extraction from the ground, if in excess of $5,000. Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or owners may be deducted from any settlements under the lease or leases or division of proceeds orders or other contracts.

(2) The annual tax to be paid by a person engaged in or carrying on the business of mining, extracting, or producing talc is $25 plus an additional amount computed on the gross value of product for talc derived from the business work or operation within this state during the calendar year immediately preceding at the rate of 4%.

(3) The annual tax to be paid by a person engaged in or carrying on the business of mining, extracting, or producing vermiculite is $25 plus an additional amount computed on the gross value of product for vermiculite derived from the business work or operation within this state during the calendar year immediately preceding at the rate of 2%."

NEW SECTION. **Section 14. Codification instruction.** (1) [Section 1] is intended to be codified as an integral part of Title 15, chapter 23, part 5, and the provisions of Title 15, chapter 23, part 5, apply to [section 1].

(2) [Section 2] is intended to be codified as an integral part of Title 15, chapter 38, part 1, and the

provisions of Title 15, chapter 38, part 1, apply to [section 2].

NEW SECTION. **Section 15. Effective date -- retroactive applicability.** (1) [This act] is effective on passage and approval and, except as provided in subsection (2), applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1990.

(2) [Section 10] applies retroactively, within the meaning of 1-2-109, to talc produced after December 31, 1989.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15
In compliance with a written request, there is hereby submitted a Fiscal Note for HB0976, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:
An act establishing the value of vermiculite for net proceeds property tax purposes and for resource indemnity trust tax purposes; establishing a specific resource indemnity trust tax rate for vermiculite; revising the inflation adjustment for the net proceeds tax on talc to conform with that for vermiculite; and providing an immediate effective date and retroactive applicability dates.

ASSUMPTIONS:
1. Currently, there is no vermiculite production in the state. However, a new vermiculite mine is currently being developed in Beaverhead county.
2. The price of vermiculite for this mine will be $93.22 in FY92 and $92.15 in FY93. (DOR)
3. Production at this mine will be 12,750 tons in FY91 and 34,400 tons in FY92. (DOR)
4. Net proceeds for this mine, under current law, will be $29.55 per ton in FY92 and $23.50 in FY93. (DOR)
5. Net proceeds, under the proposal, will be equal to gross value, $27 per ton.
6. The current rate for the RITT is 0.5% of gross value for all minerals, but would become 2.0% for vermiculite only under the proposal.

FISCAL IMPACT:

Expenditures:

The proposal will have no impact on Department of Revenue expenditures.

Revenues:

		FY'92			FY'93		
	Mills	(Current)	(Proposed)	Difference	(Current)	(Proposed)	Difference
Foundation Program	95	$35,793	$32,704	($3,089)	$76,792	$88,236	$11,444
University System	6	$2,261	$2,066	($195)	$4,850	$5,573	$723
RITT (02)	NA	$5,943	$6,885	$942	$15,850	$18,576	$2,726
TOTAL STATE	101	$43,997	$41,655	($2,342)	$97,492	$112,385	$14,893

3-18-91
ROD SUNDSTED, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

3-18-91
CHARLES SWYSGOOD, PRIMARY SPONSOR DATE

EFFECT ON LOCAL REVENUES:

		FY'92			FY'93		
	Mills	(Current)	(Proposed)	Difference	(Current)	(Proposed)	Difference
County	74.95	$28,239	$25,802	($2,437)	$60,585	$69,614	$9,029
Elementary School	52.37	$19,732	$18,028	($1,704)	$42,333	$48,641	$6,308
High School	36.22	$13,647	$12,469	($1,178)	$29,278	$33,641	$4,363
Misc. Districts	36.09	$13,598	$12,424	($1,174)	$29,173	$33,520	$4,347
TOTAL LOCAL	199.63	$75,216	$68,723	($6,493)	$161,369	$185,416	$24,047

HB 976-1

Questions From Committee Members:

REP. M. HANSON asked **SEN. GAGE** if all the section the committee would be repealing would be expressly deal with the express companies and sleeping car companies. **SEN. GAGE** said yes.

Closing by Sponsor:

SEN. GAGE asked the **REP. ELLISON** carry SB 278.

HEARING ON HB 976

Presentation and Opening Statement by Sponsor:

REP. SWYSGOOD, House District 73, Dillon, stated HB 976 is similar to the bill he carried in the last session which deals with the taxation on talc. In the interim, he sent the members of the Legislature a letter of the positive results of that legislation. That bill allowed for a $12 million expansion of the talc plant in Beaverhead County. Subsequently, it increased employment and extended the life of the mine for 35 to 50 more years.

HB 976 does basically the same thing. It establishes a rate of taxation on vermiculite. This is triggered by the Consumer Price Index as the talc bill. HB 976 contains a retroactive date that allows us to go back to 1989 Consumer Price Index for talc because it is difficult for the DOR to assess the current CPI as it comes out so late.

There is no vermiculite being minded in Montan at the present time. We have two proposed mines under consid ration: one in Beaverhead County and one in Butte-Silver Bow ounty. HB 976 establishes a flat rate of $27 a ton being tri gered every year by the CPI. It also takes the RITT from the c rrent .05% and changes it to 2% for vermiculite only. This is a revenue neutral adjustment because of the price that was set on the tonnage.

Proponents' Testimony:

Dennis Burr, Montana Taxpayers Association, said that net proceed in these micaceous minerals have been subject to litigation for years. SB 976 is doing the same thing with vermiculite as was done with talc in the last session.

Under the current system, you start with the gross value of the product. Then you subtract labor cost, depreciation of machinery, and other things to get to the net proceeds. We looked at the relationship over a period of years. With vermiculite, we might be starting with $95 a ton. The average deduction over the years have reduced it down to $27 a ton. HB 976 says, rather that going through that process, we will set the value at $27 a ton and be done with it. It gives the industry and local governments some predictability because normally the

net proceeds amount fluctuates with they type of product being produced and the types of expenses that they incur.

HB 976 would have a net loss to the state of $2,000 in the first year and have a net gain to the state in the second year of $15,000. Same is true with local governments. A net loss of $6,000 in the first year and a gain of $24,000 in the second year. This is an indication of how it fluctuate between a couple of years. He urged the committee's support.

Gary Langley, Montana Mining Association, stood in support of HB 976 on the basis that it is consistent with what the Legislature has been doing with the tax policy on minerals.

Koehler Stout, Mineral Products Inc., said that they are one of the companies trying to get the vermiculite mine started in Beaverhead County. They favor this tax because whenever you start a mine, a market must be established and the cost must be predicted. These taxes will allow them to predict what there costs will be.

JoAnne Chance, Speaking on Behalf of the Beaverhead County Commissioners, stated they support HB 976 because they feel it is tax consistent, good for the industry, the county, and the citizens.

Dorothy Donovan, Beaverhead County Superintendent of Schools, said she supports the bill because the changes it proposes are tax neutral and is beneficial to our local schools and new industry.

Opponents' Testimony: None

Questions From Committee Members: None

REP. FOSTER said he would like to see the fiscal note before HB 976 is acted upon.

CHAIR HARRINGTON asked **REP. SWYSGOOD** if there was a vermiculite mine in operation at present. **REP. SWYSGOOD** said no. There was a mine in operation in Libby some years ago, but was shut down due to asbestos. The test showed very little asbestos if any and that is the reason for HB 976.

Closing by Sponsor:

REP. SWYSGOOD said that previous legislation in the last session on the talc industry was a positive step. We didn't give them a tax break. We gave them predictability so they could figure their cost of business. This is all HB 976 does.

EXECUTIVE ACTION ON HB 976

Motion: **REP. HOFFMAN MOVED HB 976 DO PASS.**

Discussion:

CHAIR HARRINGTON said HB 976 dealt with the vermiculite mines. There are no mines operating today. This mine does the same thing to the vermiculite mines as they did with the talc in the last session.

Vote: Motion that HB 976 Do Pass carried 20 to 1 with **REP. ELLIOTT** voting no.

EXECUTIVE ACTION ON SB 278

Motion/Vote: **REP. McCARTHY MOVED SB 278 BE CONCURRED IN AND BE PLACED ON CONSENT CALENDAR.** Motion carried unanimously.

EXECUTIVE ACTION ON SB 262

Motion/Vote: **REP. ELLISON MOVED SB 262 BE CONCURRED IN.** Motion carried unanimously.

EXECUTIVE ACTION ON HB 263

Motion/Vote: **REP. ELLIOTT MOVED SB 263 BE CONCURRED IN.** Motion carried unanimously.

EXECUTIVE ACTION ON SB 238

Motion/Vote: **REP. ELLISON MOVED SB 238 BE CONCURRED IN.** Motion carried unanimously.

EXECUTIVE ACTION ON HB 444

Motion: **REP. WANZENRIED MOVED HB 444 DO PASS.**

Motion: **REP. WANZENRIED** moved to amend HB 444. **EXHIBIT 5**

Discussion:

REP. WANZENRIED said HB 444 exempts community colleges in four counties from I-105. It is not an end run on I-105, it is a straight out exemption for community colleges from I-105. He explained the amendments. The most important one being #4 which specifies the limitation of growth to the mill levy. The language limits the growth of the mill levies to no more than 5% growth. The exemption would apply to parts of Lincoln County, Flathead County, Dawson County and Custer County.

Vote: Motion to amend HB 444 carried 16 to 1 with **REP. ELLIOTT** voting no.

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL DATE 3/19/91

NAME	PRESENT	ABSENT	EXCUSED
REP. DAN HARRINGTON	✓		
REP. BEN COHEN, VICE-CHAIRMAN	✓		
REP. BOB REAM, VICE-CHAIRMAN	✓		
REP. ED DOLEZAL	✓		
REP. JIM ELLIOTT	✓		
REP. ORVAL ELLISON	✓		
REP. RUSSELL FAGG	✓		
REP. MIKE FOSTER	✓		
REP. BOB GILBERT	✓		
REP. MARIAN HANSON	✓		
REP. DAVID HOFFMAN	✓		
REP. JIM MADISON	✓		
REP. ED MCCAFFREE	✓		
REP. BEA MCCARTHY	✓		
REP. TOM NELSON	✓		
REP. MARK O'KEEFE	✓		
REP. BOB RANEY	✓		
REP. TED SCHYE	✓		
REP. BARRY "SPOOK" STANG	✓		
REP. FRED THOMAS	✓		
REP. DAVE WANZENRIED	✓		

HOUSE STANDING COMMITTEE REPORT

March 19, 1991

Mr. Speaker: We, the committee on Taxation report that House Bill 976 (first reading copy -- white) do pass .

Signed: _____
Dan Harrington, Chairman

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB 976

DATE 3/19/91 SPONSOR(S) Rep. Swysgood

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Dennis Burr	Mt Taxpayers Assoc	HB 976		✓
Joanne C. Chance	Commissioners of Beaverhead Co.	HB 976		✓
Dorothy Donovan	Bvhd Co. Supt of Schools	HB 976		✓
Koehler Stout	Mineral Products Inc	HB 976		✓
Lowell Thomas	mineral products Inc.	HB 976		✓
GARY LANGLEY	MT. MINING ASSN.	HB 976		✓

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

Rep. Cohen, District 3, said it was his idea to have ROC address this issue. He felt the provisions in the bill are well developed and the right course to take. The productivity tax is fair and provides the incentive for forest development and growth.

Janet Ellis, Montana Audubon Legislative Fund, presented her testimony in support of the bill (Exhibit #42).

Al Kington, professional forester and land consultant, representing the Montana Tree Farmers, said this is fair legislation. It does not discriminate against or benefit anyone in particular. He does not like the 10 cent fee, but agreed to support it at the 3.84% level rather than 4%

Opponents' Testimony:

There were no opponents.

Questions From Committee Members:

Due to time constraints, there were no questions.

Closing by Sponsor:

Rep. Ream closed by saying he would like to keep the 10 cent an acre fee in place for two years and put it into the general fund the third year. He said the bill presents a reasonable approach to accomplishing the goal of tax reform for the forestry industry.

EXECUTIVE ACTION ON HOUSE BILL 340

Recommendation and Vote:

Senator Eck moved HB 340 Be Concurred In.

The motion CARRIED unanimously.

HEARING ON HOUSE BILL 976

Presentation and Opening Statement by Sponsor:

Representative Swysgood, District 73, said this is the same bill as the talc bill of the 1989 session. He said there is no vermiculite mined in the state at this time, however production

is anticipated in the Beaverhead County area relatively soon. The bill establishes the value of vermiculite for net proceeds and RITT purposes and ties the net proceeds tax to the consumer price index. He said he would propose a one word amendment on page 17, line 6, to strike "tax year" and insert "production year beginning".

Proponents' Testimony:

Dennis Burr, Montana Taxpayers Association, said the talc bill is working well. He urged the committee to support this bill also. It is a good bill for the state and industry. It allows business to anticipate their tax and stops litigation between state and industry.

Earl Lovick, W.R. Grace Co., Libby, said this is a good bill. He said his company will be the largest net proceeds taxpayer in the state until 1993. He said the amendment proposed by Rep. Swysgood is important and he urged the committee to support the bill.

Koehler Stout, Mineral Products, Inc., said the provisions of the bill will allow companies to predict their tax which is a large expense of mining.

Don Chance, Beaverhead County Commissioners, and the Rosebud Planning Director, said the potential vermiculite mine in Beaverhead County is a very important part of the effort to stem the economic reverses of the last two years. He urged the committee to pass the bill.

Opponents' Testimony:

There were no opponents.

Questions From Committee Members:

Senator Gage wondered if anyone had thought about the flat tax on production if there is a need to know what the tax load would be.

Mr. Colin responded he had visited with DOR and Dennis Burr and they all agreed the talc bill provisions fit better than any other approach.

Senator Gage asked if there was any kind of index for mines other than the consumer price index.

Mr. Colin said there is really not anything else to use. Production is sold on the market value. He said they are comfortable with this provision.

Closing by Sponsor:

Rep. Swysgood closed said it would be good to review the bill in regard to tying it to the consumer price index in two years. He said it is a good bill which will benefit the mines and the state. He urged its passage.

EXECUTIVE ACTION ON HOUSE BILL 976

Amendments, Discussion, and Votes:

Senator Thayer moved to amend the bill on page 17 as proposed by the sponsor (see attached standing committee report for final form).

The motion CARRIED unanimously.

Recommendation and Vote:

Senator Towe moved HB 976 Be Concurred In As Amended.

The motion CARRIED unanimously.

ADJOURNMENT

Adjournment At: 11:00 a.m.

SENATOR MIKE HALLIGAN, Chairman

Jill D. Rohyans

JILL D. ROHYANS, Secretary

MH/jdr

ROLL CALL

SENATE TAXATION COMMITTEE

DATE 4/6/21

52nd LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SEN. HALLIGAN	X		
SEN. ECK	X		
SEN. BROWN	X		
SEN. DOHERTY	X		
SEN. GAGE	X		
SEN. HARP	X		
SEN. KOEHNKE	X		
SEN. THAYER	X		
SEN. TOWE	X		
SEN. VAN VALKENBURG	X		
SEN. YELLOWTAIL	X		

Each day attach to minutes.

DATE 4/10

COMMITTEE ON Legislation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppose
Koelker Stout	Mineral Products Ass.	976	✓	
A. Nadine Oberg	Montana Solid Waste Contractors	973	✓	
Janet Ellis	MT Audubon	HB 340	✓	
R. Clifton Caughren	Mt. Dept of Revenue	1012	—	/
Ben Havdahl	MT Motor Carriers Assn	973		X
ERIC KAPLAN	Indian Retailers	1012		X
Stan Doggett	MT Mining Assoc.	HB 976	X	
Christine Kaufmann	MEIC	HB 973	✓	
Bill Stevens	MT Food Dist Assn	1012	✓	
Peggy Egan	Self			✓
Al Hunton	Mt Tree Farm Com	HB 340	✓	
Earl D. Lewis	W. R. Hayes & Co.	HB 976	✓	
Jim Jensen	MEIC	HB 340	X	
Stan Bradshaw	MT. T.U.	HB 340	✓	
~~Paul H~~				

(Please leave prepared statement with Secretary)

SENATE STANDING COMMITTEE REPORT

April 11, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 976 (third reading copy blue), respectfully report that House Bill No. 976 be amended and as so amended be concurred in:

1. Page 17, line 6.
Strike: "tax"
Insert: "production"

Signed:

Mike Halligan, Chairman

4-11-91
Amd. Coord.

4-11-91
Sec. of Senate